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February 15, 1989

COMPTROLLER MEMORANDUM NO. 89-6

TO: Heads of Departments and Agencies

FROM: Russel Nagata, Comptroller

SUBJECT: Risk Management and Insurance Program for
State Government

The purpose of this memorandum is to inform you that the Department of Accounting and General Services is the principal agency for the development and management of a risk management and insurance program, except for workers' compensation and public employee benefits programs.

Legal References

Act 266, SLH 1988, provided the State Comptroller the responsibility and authority to operate a comprehensive risk management and insurance program.

Discussion

Fortuitous or accidental losses can impair the financial integrity and operational efficiency of State Government. Events and circumstances that cause losses must be identified, evaluated and controlled in ways that will minimize disruption of public services and cost to government operation.

Protection of financial resources and operational capacities of State Government against the consequence of loss can be best achieved through the implementation of a comprehensive risk management and insurance program.

Exposures to property and liability losses are covered under the Act. Liability exposures include bodily injury and property damage liability; liability arising out of the use of automobile, aircraft and watercraft; personal injury liability; liability assumed under contract; and error and omission liability. Property losses include damage to and loss of State

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buildings and personal property, loss of valuable papers, and recovery of extra expense and lost income. Also covered are losses due to the dishonesty of State employees, theft of State property or funds by non-employees, and the forgery of instruments that result in the withdrawal of funds from State accounts.

Excluded by the Act are exposures from the State's workers' compensation and public employee benefits programs, the Department of Health and the University of Hawaii medical malpractice, and general liability of the University of Hawaii and the Research Corporation of the University of Hawaii.

Risk Management Program Authority and Responsibility

The Department of Accounting and General Services has established the Risk Management Program to develop and implement policies and procedures pertaining to the management of the risk management and insurance program except for exposures specifically excluded by Act 266, SLH 1988. A statewide risk management manual and loss control guide will be issued covering applicable policies, procedures and guidelines. Issued State Comptroller Memorandums regarding risk management and insurance administration remain in effect covering topics such as automobile liability insurance program, statewide property insurance and crime policies, and tort liability claims administration.

The responsibility of the Risk Management Staff includes identifying and analyzing the State's loss exposures; determining which risks the State should self-insure and which risks should be commercially insured; answering questions of State agencies regarding coverages provided by the program; coordinating the loss control programs of State agencies and providing advice on loss control matters; assisting the agencies in ensuring that proper insurance and indemnity clauses are used in contracts; purchasing statewide property and liability insurance; ensuring reporting of incidents and claims when they occur and the complete recordkeeping thereof; administering contracted claims administration and adjusting, actuarial, and other services; and administering the risk management program to ensure that risk management activities are coordinated in an effective statewide program.

Agency Authority and Responsibility

This memorandum is applicable to all agencies, including executive departments, boards and commissions, elected officers and employees of the State, corporations formed by the Legislature, persons acting in behalf of an agency in an official capacity, temporary workers, whether with or without compensation, but excluding contractors with the State.

Agency risk management coordinators have been appointed to coordinate risk management activities within their respective departments or agencies. They are responsible for reporting property losses and liability incidents and claims, placing proper insurance and indemnification clauses in contracts, reporting loss information and coordinating loss control activities within their agency. No agency may purchase insurance unless approved by the State Comptroller or provided by law, in order to prevent overlaps and unnecessary insurance coverage.

All losses including incidents must be reported to the Risk Management Program. Standard forms have been developed to report losses and incidents. The Risk Management Program will maintain a risk management information system (data bank) to track losses, determine frequency and severity of losses and implement loss control measures to prevent or pay for losses.

The Act also permits the Attorney General to refer tort claims against the State to the State Comptroller for informal resolution when provided for by Chapter 662, H.R.S. Issued State Comptroller Memorandum 1988-34 covers revised procedures for reporting tort claims against the State.

Risk Management Revolving Fund

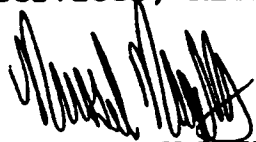
The State Risk Management Revolving Fund has been created under the Act to pay self-insured losses or damages to State's property and liability claims against the State, for purchase of statewide liability and property insurance, and to operate the risk management program.

Funding for the State Risk Management Revolving Fund through the fiscal biennium 1989-1991 will be provided by appropriations granted by the Legislature to the Risk Management Program. Thereafter the Comptroller, with the concurrence of the Director of Finance, will apportion to and collect from state agencies funds based on their loss experience and loss exposures. Each agency charged with an assessment should request funds through the budget process for their assessment. The Risk Management Program will advise the agencies on the amount of their assessments. The purpose of assessing each agency is to hold each agency accountable for its losses and promote interest and participation in the efforts of the Risk Management Program to prevent or minimize losses.

Funds appropriated or collected shall be invested through the Director of Finance and the interest earned shall be credited to the Fund. Monies in the Fund will not lapse and will be used to carry out the purpose of the Act.

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Any concerns or questions regarding this Memorandum should be directed to the Risk Management Officer of the Department of Accounting and General Services, Risk Management Program.



RUSSEL NAGATA
Comptroller

cc: Departmental Risk Management Coordinators